



Biennial Report
North Carolina Department of

Insurance

1991-1992

Jim Long
Insurance Commissioner

N.C. DOCUMENTS
CLEARINGHOUSE

FEB 10 1993

N.C. STATE LIBRARY
RALEIGH

Message from the Commissioner:

The 1991-1992 biennium brought more clearly into focus a number of the strengths and weaknesses of our system in North Carolina.



Insurance Commissioner Jim Long

We can proudly list a number of accomplishments which have made for better and more cost-effective choices for North Carolina consumers. We were able to keep company failures far below the national average in the downward-spiraling economy due to a combination of fortunate factors: a conservative view of the market; consumer-oriented law; and increased diligence on the part of dedicated Insurance Department employees.

Another major accomplishment was the implementation of the small group health insurance initiative, which was finalized on September 1, 1992. This initiative was designed to provide insurance to the largest identifiable group of uninsured citizens. Both the General Assembly and the health insurance industry are to be congratulated on their accomplishments in this area.

But these two strengths — North Carolina's triumph in a time of economic stress and successful efforts to extend health insurance to more citizens — underscore some of the most important challenges facing this state in the coming years. The potentially immense proportions of the health-cost crisis is already having an impact on North Carolina business and consumers.

Health care costs are a primary factor in workers' compensation rate increases. In 1992, the N.C. Rate Bureau requested a 58.2 percent rate increase. In 1991, the increase filed was 48 percent, but the industry ultimately settled for approximately 16 percent. Clearly, this is an area which invites close scrutiny.

In 1992, I established a blue-ribbon study commission to see what could be done to rectify the problem. Industry and labor, providers and consumers and third-party payers were invited to participate. Each group strongly defended turf, some strongly endorsed change. Although every examination of the possibility of reform invites fingerpointing and counterclaims, one message is clear — as health costs continue to increase, workers' compensation costs will continue to rise, resulting in reduced salaries for employees and higher prices for consumer goods.

Much of the discussion on the blue-ribbon panel centered on efforts of prevention of work-place accidents through a variety of means. Suggestions have included safety instruction and harsher laws as well as mandatory substance abuse testing and treatment.

The cost of health care is also a factor in auto rates. Although we have saved drivers a half-billion dollars through the rate approval process, individual personal injury costs are ever-increasing. Reductions which have occurred are the direct result of fewer accidents through highway safety laws, increased use of lap and shoulder belts, harsher drunk-driving laws and a safer road system. The reduced auto rates reflect a series of accomplishments by the N.C. General Assembly and the driving public.

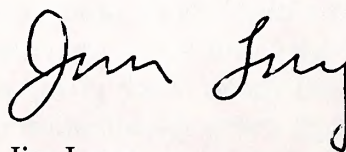
Through information collected by the Department of Insurance's N.C. Medical Database, we are examining the reasons and charges for in-patient hospitalization in the state. Although there is ample evidence that hospital costs and charges are not equivalent, it remains true that citizens and private insurers are paying the most in health care dollars for hospitalization for these conditions: such mental health problems as psychoses, alcohol and drug abuse, and depression; heart disease; women's health and child-birth-related problems; and safety abuses.

As a state, we need a thorough analysis of our prevention and safety network to see if our system is encouraging cost-effective programs. We need an analysis of the adequacy and efficacy of our mental health system and insurance for mental health services. We need to assure that every step that can be taken on the front end of health problems is taken. And we need to find a new approach to assuring that health care is a right for every citizen of the state — particularly the youngest and weakest among us.

We also need to be watchful over the property and casualty market. Natural disasters during 1992 produced nationwide insured losses of over \$20 billion, by far the worst year in the history of the property insurance industry. These staggering losses, coupled with meteorological forecasts of more big storms in the next few years, may mean that we will be challenged to assure a viable property insurance market in our coastal areas.

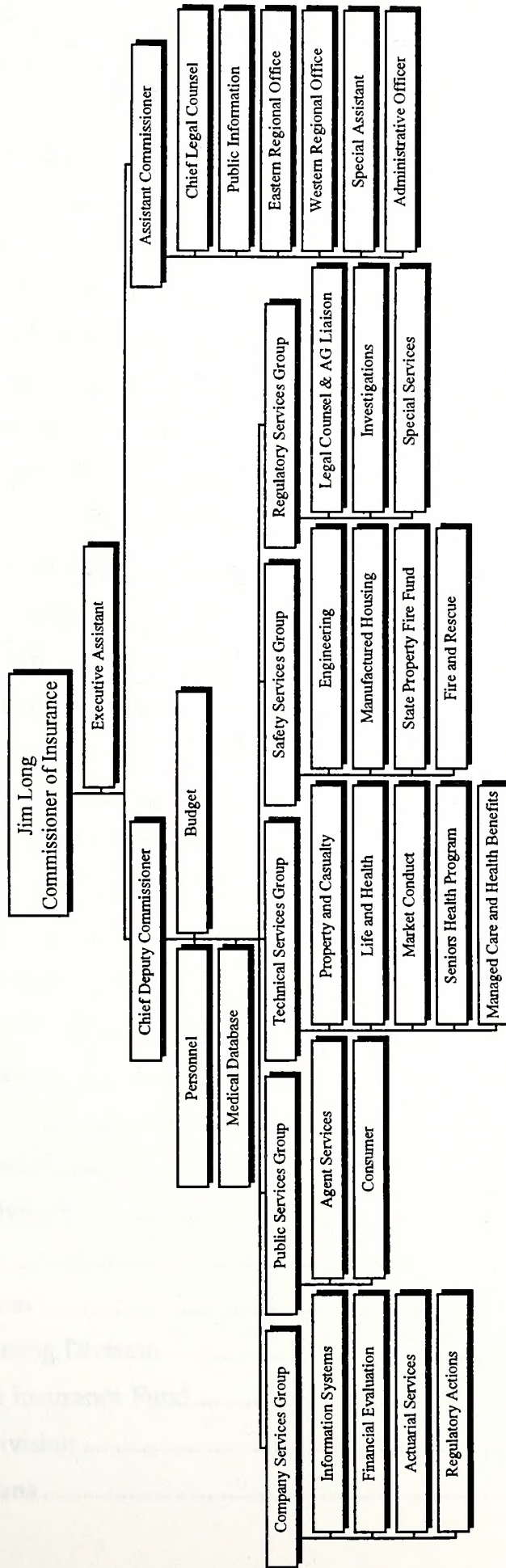
This report details the accomplishments of the Department of Insurance over the past two years. I am proud of the efforts of the employees of the department in responding to the needs of the state's consumers, and I am pleased to submit this record of their work to you.

Sincerely,

A handwritten signature in cursive script, reading "Jim Long".

Jim Long
Commissioner of Insurance

North Carolina Department of Insurance





Digitized by the Internet Archive
in 2013

<http://archive.org/details/biennialreport1991nort>

Table of Contents

Winds of Change	5
Special Programs	9
Regional Offices	9
Market Assistance Program	10
Medical Database Commission	10
Company Services Group	13
Financial Evaluation Division	14
Actuarial Services Division	18
Information Systems Division	19
Regulatory Actions Division	20
Estate Operations Division	20
Technical Services Group	23
Property and Casualty Division	24
Life and Health Division	29
Market Conduct Division	31
Seniors' Health Insurance Information Program	31
Managed Care and Health Benefits Division	33
Public Services Group	35
Agent Services Division	35
Consumer Services Division	37
Regulatory Services Group	39
Legal Services	39
Investigations Division	42
Special Services Division	44
Safety Services Group	47
Engineering Division	47
Manufactured Housing Division	49
State Property Fire Insurance Fund	51
Fire and Rescue Division	52
Boards and Commissions	56

Winds of Change

In the past two years, the buffeting winds of economic storms have battered the nation's insurance industry. Fortunately, North Carolina's insurers have remained far more stable than those in other states. In large part, that is due to the requirements which North Carolina insurers must meet by law and regulation, and resistance by the Department of Insurance to inclusion in company portfolios of such questionable investments as junk bonds, and speculative ventures.

That five North Carolina insurers had to be taken over in the last few years because of financial problems indicates that there still are needs for continued regulatory reform. Those identified problems will be addressed in the legislative proposals presented by the department to the 1993 General Assembly.

With our economy in flux, and historical changes contemplated in the state's and nation's basic philosophic approach to the delivery and payment for health care, it is time to take stock of the current and projected winds of change.

Soundness and Risk Reduction

When Jim Long was first elected commissioner of insurance in 1984, two of the first reforms he undertook were designed to assure that the system operated on sound professional principles. Specifically, he has worked for several years to link all aspects of the department by computer. This effort is designed to improve communications, efficiency and accuracy. Secondly, he has changed the department's operation by hiring actuaries and professional examiners to test the soundness and accuracy of statistical projections. With these two measures alone, the department has elevated its regulatory oversight to a strong conservative fiscal approach.

The department has also become more actively involved with risk prevention efforts. From the commissioner's participation in highway safety issues, to increases in fire and accident prevention efforts, to enhanced training of fire and rescue personnel and improved

building codes and enforcement, the department has steadily moved in the direction of overall risk reduction for the people of the state.

These are efforts which have paid dividends to North Carolinians. The traveling public has a reduced rate of automobile injuries and damage. Our experience with fire losses is 19th in the nation despite the fact that we are tenth in population. The focus on safety has helped reduce the risks of the population — an end which serves humanitarian as well as economic goals.

But prevention of risk is something we attempt to do judiciously, balancing individual rights with safety laws, rules and regulation. A similar balance must be maintained between the ability of an insurer to remain solvent and functioning and the need to protect the rights of the insured.

It is in this spirit that the Department of Insurance has instituted reforms designed to assure that North Carolina exceeds all national standards and maintains our national accreditation.

Strengthening or Reforming Measures

Our efforts are paying off for both the industry and the consumer. North Carolina's insurance market is healthy enough to continue to attract insurers to the state. Companies with a tradition of flight in the face of the hint of trouble, are holding fast in this state. And our rates reflect the general solvency of our companies and the health of our risk pool. We consistently rank tenth from the lowest in auto insurance rates, despite the fact that we are the tenth most populous state.

The areas of greatest challenge in this state are not unique to North Carolina; instead they reflect the rising cost of health care which is affecting all segments of the country and is adversely influencing our national economy. High costs of health care are driving up the premiums for workers' compensation insurance (and thereby the costs of goods and services), and the medical payments and bodily injury liability portion of auto insurance. It is denying access to preventive care for large numbers of our citizens, setting the course for a future of greater incidence of health failure.

The department, working within the limits of its authority, has instituted reforms designed to keep our citizens from falling through the medical care cracks. We have also shared our expertise with two panels empowered to examine the issues from all sides — cost, access, cost drivers, managed competition, and alternative delivery systems. The economy of our state and the health both of the people of the state and the insurance industry depend on a reasoned approach to the cost of health care.

One of the basic needs of planners in redesigning our health care financing system is a better source of data. The Department of Insurance continues to upgrade the N.C. Medical Database Commission to expand its data collection beyond hospitals to include outpatient treatment. When the database expansion is complete, it will provide a consistent source of agreed upon numbers to aid decision makers. For this reason, the department will present an expansion request to the 1993 session of the General Assembly so that this vital commission

may be continued. Efforts have been made to assist the commission to rely more heavily on receipt-supported funding.

Over the course of the last two years, natural disasters nationwide have seriously stressed an already beleaguered property and casualty insurance industry. In the wake of Hurricane Andrew, which devastated southern Florida, the department began a systematic re-evaluation of North Carolina's building code and emergency procedures. Commissioner Long traveled to Florida for his own look at the devastation and saw first-hand the homes destroyed because of weak building codes and poor building code enforcement.

The department also sent its consumer specialists to Florida to work with those affected by the storm. Despite the fact that North Carolina's building code has been ranked as among the best in the Southeastern United States, work remains on improving building code enforcement efforts. When the Building Code Council finishes its analysis of the state's condition, the department expects to ask the General Assembly to support improved code enforcement.

Tornadoes raced through many counties of the state in 1992, yet the insurance industry in North Carolina was able to respond to its customers. One of the lessons of this and other disasters of recent vintage is that more public information efforts need to be undertaken on the need for adequate property insurance. Too often, those who live in rental housing are faced with completely uninsured losses. Within the next biennium, the department will undertake a public awareness campaign to urge citizens to insure their personal property against catastrophic loss.

Consumer Orientation

The insurance consumer is the primary customer of the department, and the Consumer Services Division fields over 30,000 calls annually. Efforts to improve our service include continuing education training for consumer specialists, designed not only to keep them abreast of the latest developments in the industry, but to improve customer relations.

In addition, efforts are underway to improve the management and use of information through computer upgrades in the area of consumer services. In addition, consumer-oriented publications designed to improve customer awareness are planned for the coming biennium.

Industry customers include agents and adjustors. Computerized license testing and same-day licensing have been coupled with efforts to generally upgrade service through continuing education courses and requirements. Agents were first introduced into the system and it will be expanded to adjustors in 1993.

Safe Harbor

The mission of the Department of Insurance is to ensure that consumers have assistance in working with one of the most complex industries in existence, that consumers are protected from those who want to take advantage of the system or misrepresent themselves to the unsuspecting, and that the insurance industry is solvent in order to pay claims.

Essentially, the Department of Insurance wants to ensure that North Carolina is a safe harbor in a chaotic world. We want an industry which is capable of responding to any situation. We want a population determined to reduce its financial risks. The Department of Insurance is the regulator of one of the most significant industries undergirding the state's economy. This report contains a detailed look at the last two years of effort on behalf of the insurance consumers of the state.

Special Programs and Activities

The phone call came in on a typically busy Monday. The citizen was confused and worried. His insurance company had just told him there was no record of any insurance. Although his agent soothingly advised "It's iust a little mix-up and we'll straighten it out," the citizen thought he ought to check with the Department of Insurance.

A department Investigator was dispatched to audit the agent's books and, as the tangled case unfolded, over \$400,000 was discovered missing. Commissioner Long termed it the largest agent embezzlement case in the state's history. The investigation triggered by that phone call to the Western Regional Office eventually resulted in a conviction and active jail sentence for the former agent.

Serving as an early warning center for agent and consumer fraud is only one role of the western and eastern regional offices of the N.C. Department of Insurance. Staffed by one director of regional affairs and one deputy, each office is in continuing contact with local and county government officials, volunteer fire departments, rescue squads and related entities.

They also serve as field offices for the various departmental field personnel — fire and rescue, agent services, investigations, engineering, special services and the Seniors' Health Insurance Information Program (SHIIP). These agencies make use of the regional offices for workshops, meetings and report preparation.

The two offices also work with active and retired state employees who need information about, or are filing claims with, the State Health Plan.

The regional offices assure that all insurance consumers in the state have active and accessible service from their Department of Insurance.

The Western Regional Office serves 30 counties; the Eastern Regional Office serves 32 counties. Both directors periodically travel about their regions, visiting their constituent counties.

Regional Office Activity

	1991	1992
Case Files Closed	1,955	2,517
Office Visits	2,759	2,817
Phone Calls Received	28,135	31,618
Monthly Averages:		
Case Files Closed	71	100
Office Visits	110	117
Phone Calls Received	1,173	1,317

Market Assistance Program

Begun in 1986 as a result of an availability crisis in liability coverages, the Market Assistance Program — MAP — continues to help individuals and businesses find needed property and casualty insurance.

During the 1991-92 biennium, the MAP program continued its record of success in helping locate these coverages. During the period there were approximately fifteen requests per month for help. Since the program's inception in April 1986, there have been 3,956 inquiries. Of that number, only four could not be satisfied in existing markets — a placement rate of over 99.88%.

The MAP program has found insurance coverages for: ocean piers, fertilizer distributors, housing authorities, special events, bar operators, group homes, cardboard box manufacturers, mobile home park operators, day care operators, ministers, counties, house movers, feed mills, water utilities, municipalities, paper balers, contractors and scrap metal dealers.

The department's MAP program is considered the most successful program of its kind in the nation, and, although it is scheduled to expire on July 1, 1993, the department will ask the 1993 General Assembly to once again extend the authorization of this successful program. An active, ongoing MAP program ensures that a sudden return to a tight market for liability coverage will not adversely affect North Carolina businesses and citizens.

North Carolina Medical Database Commission

The Medical Database Commission is the premier public resource for information about hospital utilization and charges in North Carolina. The current statewide database for inpatient hospitalization has been functional since 1988 with improvements in reporting and information gathering being made on a continual basis.

The commission is now in the process of expanding its data collection and reporting function by developing an ambulatory surgery database. This additional database is scheduled to begin operations in the fall of 1993 and will allow comparisons with hospital based surgery cost and utilization.

Over 150 hospitals routinely provide data to the commission for every patient discharged. The database now includes over 3.4 million cases with around 870,000 cases added each year. From the collected information, the commission prepares a series of reports profiling trends and patterns in hospital utilization and charges. The commission also prepares special reports and analyses in response to specific requests for information.

With the hospital discharge database, the commission can profile utilization and charges by individual hospital or group of hospitals, by patient groups, by geographic area, by physicians, by disease category and other variables.

Legislators and other decision makers now have access to information about health care that was previously not available, e.g., the average cost of heart bypass surgery, the proportion of Medicaid patients treated compared to other categories of patients treated at various hospitals, or the variation in charges and length of stay among hospitals in the same geographic area.

Providing Direct Assistance

The commission staff devotes substantial time to responding to legislators with specific needs for information, various state governmental agencies (Governor's Commission on Reduction of Infant Mortality, the Department of Corrections), purchasers of health services (employers such as Honeywell), providers of health services (hospitals, HMOs), various consulting and policy making groups, and individual consumers and citizens of North Carolina.

The Medical Database Commission continues to establish itself as a resource for reliable medical services utilization data through such activities as:

- Publication of an annual six-report series profiling hospital utilization and charges
- Sale of over 1,000 standard reports profiling hospital utilization and charges
- Preparation and sale of over 150 special data reports generating over \$100,000 in receipts
- Marketing and dispersing information to a wider variety of users including individual citizens of North Carolina

Through its function as an information clearinghouse, the commission is fulfilling its legislative charge to stimulate competition in the health care marketplace by making charge and utilization information available to the public. The Commission has successfully completed its first phase of operations and looks forward to further meeting the needs of the policy makers and health consumers in North Carolina.

With the continuing increases in the costs of health services, there remains an urgent need for the commission to expand its data collection, reporting and analysis function to include the remaining portions of the healthcare market where 60% of the healthcare dollar is spent. With this in mind, the Commission has established the following goals for the upcoming biennium:

- Establish and operate the ambulatory surgery database

- Develop plans for the collection of data from other sources of medical services such as physician-provided services in both inpatient and outpatient settings
- Continue to refine standard systems and reports to serve the needs of data users
- Develop additional products and services to generate revenue for the operation of the commission
- Develop charge and utilization information that is useful, understandable and easy to obtain for the average citizen of North Carolina

Company Services

The Company Services Group consists of the Financial Evaluation Division, the Actuarial Services Division, Information Systems Division, Regulatory Actions Division, and Estate Operations Division.

The major responsibilities of the Financial Evaluation Division are monitoring the solvency of all insurance companies and other entities under the supervision of the Commissioner of Insurance; the review and recommendation for admission of out-of-state, domestic, and surplus lines companies seeking to transact business in the state; the examination of domestic and foreign insurance organizations licensed in North Carolina; to assure the financial solvency and employee stability of self-insured workers' compensation groups in the state; and the licensure of continuing care facilities in North Carolina.

The Actuarial Services Division assists in the review of rate, form, and statistical filings. In addition, this division provides actuarial studies in financial evaluation work and has been involved in several special projects over the biennium.

Much of the work of this division is involved with assisting the Property and Casualty, Financial Evaluation, and Life and Health Divisions with statistical research and calculations.

The Information Systems Division is responsible for all departmental data processing, word processing, office automation, data communications, and voice communications. Field personnel are now able to receive and analyze information directly from insurance companies' mainframe computers.

The Regulatory Actions Division is responsible for monitoring the solvency of domestic insurance companies identified as potentially troubled. The Estate Operations Division manages the rehabilitation and/or liquidation of all insurance companies and other entities under the supervision of the Commissioner of Insurance which have been subjected to formal delinquency proceedings.

Financial Evaluation Division

The division is comprised of the Company Admissions Section, Financial Compliance Section, Field Audit Section, Self-Insured Workers' Compensation Unit, and the Continuing Care Facilities Section.

The division is currently working toward accomplishing the following goals and objectives:

- Address and respond to the National Association of Insurance Commissioners Interim Annual Review in order to enable the department to maintain its accreditation with this national regulatory oversight board.
- Evaluate and rewrite current financial solvency laws and regulations that are necessary to maintain the department's accreditation with the National Association of Insurance Commissioners.
- Evaluate the adequacy and appropriateness of the insurance laws administered by the division.

Company Admissions Section

The primary responsibility of this section is the review and evaluation of the financial condition of insurance companies applying for initial licensing, eligibility or registration to transact insurance business in North Carolina.

It is important that insurance entities meeting or exceeding the minimum requirements be licensed or authorized so that adequate markets and competition are available to North Carolina insurance consumers. It is equally important that each entity not meeting the minimum requirements be denied a license or authority in order to protect North Carolina insurance consumers from potential insurance problems.

In 1991-92 there continued to be considerable interest by insurance companies seeking authority to transact business in North Carolina. Through September 17, 1992, there have been 106 new applications received. We will continue to accept 1992 filings through November 1.

There was a moratorium on reviewing such applications for approximately seven months during 1991 due to a shortage of qualified personnel. The financial analysis staff of this section was utilized to assist in financial reviews in the understaffed area. This created a significant backlog of admission filings to be reviewed. We are attempting to work through the backlog at the current time. We anticipate accomplishing this goal by mid-1993.

A total of 28 insurance entities were found to qualify and received initial certificates of authority from January 1991 through September 17, 1992, including the formation of three new North Carolina domestic insurance companies. It is anticipated that an additional 20 to 25 insurance companies will qualify and be licensed before the end of 1992.

This section has been responsible since 1985 for the initial reviews of insurance companies applying for eligibility for the placement of surplus lines business. A list of eligible companies is produced and distributed to North Carolina surplus lines brokers monthly. The surplus

lines market represents insurance products that are not readily available to consumers through licensed companies. Statutory requirements for surplus lines eligibility were strengthened during 1991.

From January 1991 through August 1992, there were 11 filings for surplus lines eligibility received and reviewed. Eight new companies were found to qualify and were added to the list. There were 33 companies deleted or withdrawn from the list during this period, primarily due to the new requirements effective December 31, 1991. The Financial Compliance Section is responsible for the financial surveillance of surplus lines companies after they initially qualify for eligibility.

Risk Retention Groups

Since late 1986, this section has been responsible for conducting financial reviews of risk retention groups filing for initial registration. These entities operate under the authority of the Federal Risk Retention Act and North Carolina insurance statutes governing liability risk retention. The Federal Act permits risk retention groups and purchasing groups to provide certain types of liability insurance coverages to their members if the group is properly licensed in at least one state and files certain minimal financial information with each state in which it desires to do business.

The department has required as much information as possible in order to evaluate the merits of risk retention group filings and protect North Carolina citizens to the maximum extent provided by law. North Carolina statutes require a purchasing group to buy its coverages from an insurance company that is either licensed or eligible for surplus lines business in this state.

From January 1991 through August 1992, a total of four initial filings for registration were received from risk retention groups and 71 filings were received from purchasing groups. Four risk retention groups and 36 purchasing groups received initial registration during the period.

Financial Compliance Section

The primary responsibility of the Financial Compliance Section is to monitor the solvency of all insurance organizations licensed and/or supervised by the Department of Insurance. The Section has the following responsibilities:

Process/review company licenses, corporate changes and corporate filings: Includes the review of renewal license applications of insurance organizations and the review, processing and/or approval of corporate changes of insurance organizations, including acquisitions, mergers, dissolutions, reinsurance arrangements, charter changes, by-law changes, holding company filings, and requests for sale of securities.

Monitor financial condition of insurance organizations: Reviewing the operations and financial condition of insurers through the analysis of annual and interim financial statements and other financial data. The primary responsibility of the section is to determine the financial health of each organization and to take appropriate steps to safeguard the interests of the state's citizens. This financial analysis utilizes the database and programs of the NAIC.

Collect and verify license, taxes and other fees: Includes the review of state premium tax returns for compliance with the state laws and the collection and processing of all state premium taxes and license fees.

Premium Tax Collections

- In North Carolina, total direct premiums written approximated \$10.1 billion for 1990 and \$10.5 billion for 1991.
- Premium taxes and other fees collected in 1990-91 exceeded \$187 million and in 1991-92 exceeded \$214 million.
- In 1992, premium volume is expected to exceed earlier levels and premium tax collections should increase due to expected premium growth and increased basic premium tax rates.

Maintain security deposits from insurance organizations: Includes the collection of and maintenance of all security deposits from insurance organizations for the protection of North Carolina policyholders. The actual funds are maintained by United Carolina Bank under a safekeeping arrangement and total approximately \$246 million at present.

Performance Indicators: 1991-92

Insurance organizations currently regulated	1,550
Financial statements analyzed	4,900
Statutory audit reports reviewed	1,175
Licenses, taxes and fees collected	\$402,453,000
Requests for certification of authority to sell securities	185
Securities on deposit for policyholder protection	\$332,000,000
Securities on deposit in workers comp security fund	\$17,000,000
Deposits obtained as result of financial inquiries	\$6,000,000
Certificates of good standing, deposit, etc., processed	2,150

Field Audit Section

The primary function of this section is carried out at the home office of the insurance organizations under practices and procedures developed by this section and the National Association of Insurance Commissioners (NAIC). From January 1991 through November 1992, the field audit staff completed sixty examination reports.

We use the EDP audit software sub-licensed from the NAIC to aid in our examination procedures. This has been implemented on all examinations where the insurer has a compatible computer system. In addition, we now have 20 personal computers in use in the field.

Our objective is to provide each examiner with a computer for use in the examinations. This will require the purchase of six to ten additional computers, which we will accomplish over the next year. By means of modems, our field staff is able to communicate with the office through the department's computer network. Many formerly manual applications are prepared by the examination staff and mailed electronically to the support staff for in-house processing. Computer software is continuously being developed or purchased in order to improve our effectiveness in analyzing insurers.

During 1992, we enhanced our examination approach by placing additional emphasis on documenting internal controls and the flow of information and funds through the insurer's operation. In coordination with the NAIC's technical staff, we are able to analyze assets contained in the schedules of the insurer's annual statement, reinsurance, losses and loss adjustment expenses prior to the on-site examination. We have been instrumental in directing the development of the NAIC Examiners' Handbook. Training and implementation of all phases is nearly complete.

Self-Insured Workers' Compensation Unit

This unit has encountered tremendous growth for 1991 and 1992. Group funds have increased from 10 to 16. Corporate accounts have increased from 158 to 212. This growth is related to the tightening of the workers' compensation insurance market and rate increases in 1991 and 1992. It is expected to continue due in part to the large increase in workers' compensation rates requested for 1993.

The department collected \$4,518,108 in 1991 for premium taxes on the 1990 reported payrolls and \$6,237,486 in 1992 for premium taxes on the 1991 reported payrolls. The amount is determined by converting the reported payroll to a manual premium and invoicing a predetermined percentage.

The self-insurance guaranty fund currently has enrolled 7,000 employers under 16 groups and 212 corporate accounts.

Continuing Care Facilities Section

Effective January 1, 1990, this section was charged with the responsibility of registration, disclosure, contract, and financial monitoring requirements for continuing care facilities in North Carolina. Continuing care facilities furnish individual care and lodging together with medical and other health-related services pursuant to an agreement effective for the life of the individual or for a period in excess of one year.

Filings on behalf of these facilities include a disclosure statement, certified financial statements, forecast projections, listings of services and fees, and resident contracts or agreements. The filing is evaluated for statute compliance, operating trends, solvency, and consistency between the disclosure statement and residency agreement.

The first filing was received on January 29, 1990. Forty-three filings have been received as of September 30, 1992, with thirty-seven facilities issued a permanent license, and four developmental facilities issued temporary licensing status.

Actuarial Services Division

This division assists in the review of rate, form, and statistical filings. In addition, this division provides actuarial studies in financial evaluation work and has been involved in several special projects during the last two years.

Much of the work of this division is involved with assisting the Property and Casualty, Financial Evaluation, and Life and Health Divisions with statistical research and calculations.

Property and Casualty Work

Actuarial Services works closely with the Property and Casualty Division in reviewing rate filings, form filings, and statistical filings of major significance. During the last two years, several private passenger automobile and workers' compensation filings and appeals have received intense departmental scrutiny. Also, this division has reviewed several medical liability filings and a large number of loss cost filings.

Life and Health Work

In reviewing a large number of rate revisions, the division has saved individual accident and health policyholders approximately \$1.8 million in 1990, approximately \$2.2 million in 1991, and approximately \$4.8 million as of September, 1992. Since such review began, savings have been produced of approximately \$21.5 million dollars as of September, 1992. The division also reviews actuarial aspects of HMO applications and rate filings.

Actuarial Services collects statistical data to monitor the incurred loss ratio of Medicare supplement insurers. In 1991, fourteen companies fell below our minimum loss-ratio standards and were required to lower rates or forestall rate increases during calendar year 1991. In 1992, three companies fell below minimum loss ratio standards and are currently being reviewed. Statistical monitoring of incurred loss ratios for Medicare supplement insurance is an annual event.

Each year, Actuarial Services also collects loss-ratio data for credit life, accident and health insurance. In 1991, the data revealed that actual loss ratios were far below the 60 percent loss ratio recommended by the NAIC.

Actuarial Services has adopted rules concerning data requirements for individual accident and health rate revisions; proposed abolishing accident and health optionally renewable policy provisions; abolished separating a policy form's population into two separate populations for rate revision purposes; and developed MEWA claim reserving and maximum net retention limit requirements.

Future projects include developing data requirements for HMO rate filings; a study of loss ratios incurred for long-term care coverages; a study comparing the results of rate increases on initial lapse assumptions; developing premium rate restriction rules for the Small

Group Health Insurance Act; and a study to incorporate a stochastic approach to HMO claim reserve adequacy testing.

Financial Evaluation Work

This division works closely with various sections of the financial compliance section. The company admissions section uses actuarial analyses of financial projections and proposed rates of companies applying for admission or registration in North Carolina. Reserve reviews and analysis of development schedules in the Annual Statement were performed to aid in the financial evaluation of several insurance companies.

Information Systems Division

The Information Systems Division deals with high-technology issues and equipment, with a goal of using technology effectively to support the department's regulatory function. This activity, known within state government as "Information Resources Management" (IRM) includes within its broad scope: voice, image, and data processing equipment and software and telecommunications systems such as two-way radios, telephones and facsimile equipment.

Day-to-day responsibilities include programming and operating two mid-range computer systems, and providing support for the department's microcomputers. An electronic mail system connects our staff with all other state departments of insurance; NAIC staff in Kansas City, Washington, and New York; other state government agencies; and to a number of private insurance companies. Information Systems also provides office automation training to department staff.

The division is directly responsible for maintaining three major application systems on the mid-range computer: company licensing, property and casualty rate and forms filings, and life and health rate and forms filings. Staff of the division also works with computer programmers at the State Information Processing Services (SIPS) organization to maintain and develop major software systems for our Consumer, Agent Services, State Property Fire Insurance Fund, and Self-Insured Workers Compensation units.

The Information Systems Division also consults with the department's line divisions regarding technology planning. Information Systems is the department's representative on the SIPS Advisory Board, and represents Commissioner Long on the Information Resources Management Commission as required. Similarly, the division exercises approval authority over all acquisitions of information and technology resources such as radios, telephones, computers, software, services, and maintenance contracts.

Under the state's revised IRM management structure as implemented by the 1992 General Assembly, the division will continue to perform the lead role within the department for integrated information technology planning and management. Similarly, within the department, the division provides staff support to a committee of managers of line divisions setting hardware and software standards, and IRM operational policy.

Regulatory Actions Division

The Regulatory Actions Division was formed in early 1992 to increase regulatory scrutiny over potentially-troubled insurance entities domiciled in North Carolina.

The primary responsibility of this division is to closely monitor the financial condition and operations of domestic insurance entities deemed to be in a potentially hazardous financial condition. The ultimate goal of this division is to determine whether a troubled insurance entity can be prevented from going into formal delinquency proceedings, and returning the insurer back to sound financial condition and good business practices.

Examples of close monitoring procedures performed by this division include:

- financial analyses of annual and interim financial statements and other financial data, including holding company and affiliated company data;
- initiating, monitoring and enforcing work out plans designed to correct deficiencies causing the hazardous financial condition;
- performance of targeted financial and operational examinations;
- institution of formal administrative supervision proceedings designed to protect insurance company assets through a work out period.

Potentially-troubled insurance companies are transferred to the Regulatory Actions Division via interaction with the Financial Evaluation Division and other divisions of the Department of Insurance. Through October, 1992, five domestic insurance entities have been transferred to this division for closer monitoring.

Estate Operations Division

The Estate Operations Division works closely with the Regulatory Actions Division to evaluate the necessity of instituting formal delinquency proceedings and to provide guidance in administering proceedings troubled insurers once the insurer has left administrative supervision.

The unit's ultimate goal is to rehabilitate and/or liquidate troubled and insolvent insurers in order to protect and preserve, to the maximum extent possible, the remaining assets of the insurer for the benefit of the company's policyholders, creditors and the public.

The Estate Operations Division manages the financial and operational affairs of domestic insurance entities placed into receivership.

Examples of specific duties performed include:

- marshalling assets, pursuing asset recoveries and liquidating assets of companies in receivership to the maximum benefit of policyholders and other creditors;
- managing the operations of the various departments of the insurer through a run-off period including claims, underwriting, policyholder service, data processing, accounting, personnel, etc.

- coordinating relationships and issues involving the various state guaranty associations called upon to pay policyholder claims;
- providing litigation support services and coordinating relationships and issues involving federal and state investigative agencies outside of the Department of Insurance.

As of October, 1992, this division currently is responsible for the administration of five domestic receiverships, and provides support services for several ancillary receiverships of out-of-state insurers which previously transacted insurance business in North Carolina.

Technical Services

Created in September 1988, the Technical Services Group is comprised of the Property and Casualty Division, Market Conduct Division, Life and Health Division, Seniors' Health Insurance Information Program and the Managed Care and Health Benefits Division.

The Property and Casualty Division's primary responsibility is the review of rate, rule and policy form filings relating to property and casualty coverages. These filings are made by insurance companies, statutory bureaus and licensed rating organizations.

Similarly, the Life and Health Division is responsible for the review and approval of premium rates and policy form filings marketed in this state by life and health insurance companies. Since 1989, the Life and Health Division has been developing a database of rates and forms approved for licensed insurance companies in North Carolina.

The Market Conduct Division conducts field examinations of the market practices of domestic and foreign insurers and their representatives. The Market Conduct Division has been reorganized and has standardized its examination planning, review, summary, expense and examination procedures in order to develop meaningful trends.

In October 1990, the Seniors' Health Insurance Information Program (SHIIP) was added to the Technical Services group. Created in 1986, SHIIP's primary function is to train adult volunteers to help older adults through the maze of Medicare regulations, Medicare supplement insurance, long-term care insurance, and claims procedures. In September, 1992, SHIIP completed a six-year drive to expand the program to all 100 counties within North Carolina.

The group's most recently formed division — the Managed Care and Health Benefits Division monitors and regulates the activities of Health Maintenance Organizations, Preferred Provider Organizations, Utilization Review Organizations, Managed Care Indemnity Health Insurance, Multiple Employer Welfare Arrangements, Third Party Administrators, and Non-ERISA-Exempt Self-Funded Employer Health Care Benefit Plans.

While each of these functions has existed within the department for many years, the Technical Services Group was formed to increase their effectiveness, improve communication

and enhance coordination, primarily with the actuarial staff and financial analysis examiners, as well as with other divisions within the department.

In 1988, the Property and Casualty Division reorganized its rates and forms files, resulting in one of the most efficient filing systems of any insurance department in the country.

Property and Casualty Division

This division reviews rate, rule and policy form filings made by insurance companies, licensed rating organizations, licensed advisory organizations, joint underwriting organizations and the North Carolina Rate Bureau. Other responsibilities include the licensing of rating organizations, advisory organizations and joint underwriting associations. The division also is responsible for collecting filing fees for rate and form filings.

State law permits insurance coverages to be placed with surplus lines companies—those unlicensed in North Carolina—as long as there is compliance with applicable statutes and rules. Surplus lines taxes are the responsibility of specially-licensed agents; this division receives and reviews the tax forms. In 1991-92, surplus lines premium taxes generated \$9,063,811 for the State of North Carolina:

Premium Taxes			
Year	No. of Policies	Premium	Tax Generated
1991	23,652	\$86,425,437	\$4,321,267
1992	17,465	\$94,850,875	\$4,742,544

(through 9/92)

Rate Deviations

State law allows companies to file rate deviations, or discounts, on coverages such as private passenger automobile, homeowners, and dwelling fire under the jurisdiction of the North Carolina Rate Bureau. A typical deviation would be a lower auto insurance premium for autos with anti-locking brakes.

New Rate Deviation Filings				
Year	Homeowners	Dwelling	Auto	Worker's Comp
1991	90	4	18	4
1992	142	3	35	5

Consent to Rate

Because some risks cannot be written at standard rates, state law permits companies to charge a higher-than-standard rate on individual policies with the written consent of the policyholder and, in some cases, the approval of the commissioner. From January 1991 through September 1992, this division received a number of these filings:

Higher-Than Standard Rate Filings

Year	Private Auto	All Other
1991	527,321	4,251
1992	365,609	3,333

(through 9/92)

Because this division's primary responsibility is the review of forms, rules and rate, filings must be carefully analyzed. During 1991 and 1992, a total of 20,749 filings were reviewed.

Forms, Rules and Rates Reviewed

Year	Companies & Organizations
1991	12,331
1992	8,418

(through 09/92)

Prospective Loss Costs

North Carolina has adopted a new system for filing rates on most commercial insurance. The new system is called "prospective loss costs" and is based on companies' actual loss experience. Individual companies may then include the filed loss costs along with profit and expenses to produce a final rate.

Because the statutes require that rates be submitted on commercial lines of insurance, the number of companies filing individually using the loss-costs filing will increase — resulting in a significant increase in the number of rate filings the staff will have to review. The Insurance Services Office, Inc. (ISO) filed the first loss-costs filing in September 1990 for commercial automobile coverage.

The ultimate effect of this change should be greater flexibility in pricing and more variations among companies with regard to their pricing levels. The new flexibility should ultimately better serve companies and consumers alike.

The total loss cost filings for 1991 and 1992 were as follows:

	Loss Costs Filings	
	Bureau	Company
1991	15	25
1992	2	520

(through 09/92)

Issues and Achievements

Some of the significant issues and achievements of 1991-1992 include:

- **Advisory/Liaison Committee:** In 1989, the Property and Casualty Division created this committee as a communication link between the industry and the Department. The committee is composed of seven members from the insurance industry and agents' associations. The first meeting was held on April 19, 1989. This committee meets periodically. The last meeting was held on May 18, 1992.
- **Automobile Rate Filings:** Commissioner Long has determined each rate filing since 1985 to be excessive. The difference in total premium dollars between the increases filed by the industry and those implemented is \$450,266,385.
- **Auto Property Damage Liability:** HB 826 mandated minimum Property Damage Limits of \$15,000 effective January 1, 1992.
- **Beach and FAIR Plans:** As a result of a Legislative Research Commission's report on North Carolina's Beach and FAIR Plans, legislation was enacted requiring the Department to improve the operations of the Beach and FAIR Plans. The Department is currently reviewing the Plans' operations.
- **Consent to Rate Filings—Workers Compensation:** The Department received its first filing for workers compensation consent to rate. The filing was received and approved in May 1992 for Hampshire Group, Limited, through Fireman's Fund Insurance Company.
- **Continuing Education Program:** During the 1991-1992 calendar year, 10 members of our staff have been involved in educational classes. Eight individuals have been involved in courses that result in a professional insurance designation.
- **Farm Program:** HB-902 removed Farmowners from the jurisdiction of the North Carolina Rate Bureau effective June 19, 1991. ISO's simplified Farm Program was approved effective September 1, 1992. Continental's program was approved in May 1992.

Auto Rate Filings: 1985-1992

Effective	Proposed (Filed)	Approved (Ordered)	Implemented	Savings*
3/01/85	3.9%	-0.2%	-0.2%	\$23,247,688
1/01/86	20.8%	10.4%	10.4%	\$70,058,437
7/15/87	12.2%	0.6%	0.6%	\$103,064,144
4/01/88	4.0%	-3.9%	0.7%	\$36,156,153
1/01/89	6.4%	-1.4%	4.3%	\$23,854,656
1/01/90	4.1%	-6.3%	3.4%	\$ 8,545,537
3/01/91	9.6%	4.0%	4.1%	\$75,693,970
6/01/92	9.3%	-0.1%	4.4%	\$80,675,800
2/01/93	-4.3%	-6.0%	-6.0%	\$28,970,442

*Difference in premium dollars between filed and implemented rates

- **Functional Replacement Cost: Legislation (SB339)** was enacted in 1991 allowing an insurer, at the insured's option, to replace property "with similar property which performs the same function when replacement with materials of like size, kind and quality is not possible, necessary or cannot be done without extraordinary expense.
- **HO Enhancement Program (HE-7):** This new program, effective March 1, 1991, is a supplement to the HO-84 Program. The enhancements to form HO-3 include increased limits, broadened coverages and some new coverages.
- **Individual Risk Filings:** Senate Bill 339 empowered the Commissioner to approve all manuscript policies (Individual Risk Filings.) Through August 1992, 1,010 filings have been received and processed. These filings generated \$20,200 in revenue for the State.
- **Lawyers' Professional Liability:** According to the National Association of Bar Related Companies, North Carolina has the lowest professional liability rates for lawyers of all its members.
- **Medical Malpractice:** Even though the market began to harden in 1992, North Carolina continues to have some of the lowest rates in the nation for physicians' and surgeons' professional liability insurance. The St. Paul Companies — major providers of medical professional liability coverage in the United States — announced in their 1992 annual report that North Carolina had the fourth lowest medical professional liability rates for class three physicians of any state where they market professional liability.
- **New Products:** During the past two years, this division has contacted 47 insurance companies regarding the possibility of offering new products in North Carolina. We can directly attribute three new program filings to these efforts.

- **Rate and Form Filing Fees:** Effective July 1990, the Department was granted authority to collect filing fees for rate and form filings. This law applies to all licensed insurance companies, rating organizations, advisory organizations, joint underwriting organizations (including the FAIR and Beach Plans), joint reinsurance organizations, the North Carolina Rate Bureau, and the North Carolina Reinsurance Facility. The Department collected for the years 1991 and 1992 the following:

Forms, Rules & Rates Filing Fees Collected

1991	\$327,680
1992	\$215,660
<i>(through 8/92)</i>	

-
- **Rate Renewals:** Title 11 of the North Carolina Administrative Code, Chapter 10, Section.1102 (14) required by January 1, 1992 the renewal of all active rate filings filed prior to January 1, 1990.

The following number of rate renewals were reviewed in 1991 and 1992:

Rate Renewals

Year	Rate Renewals
1991	4,001
1992	1,746
<i>(through 9/92)</i>	

-
- **Uninsured Motorist/Underinsured Motorist:** SB-688 prohibited the stacking of Uninsured Motorist coverages. The law prohibits intra-policy stacking of Uninsured Motorist; permits inter-policy stacking of Underinsured Motorist and allows the insured to select limits up to \$1,000,000. The N.C. Rate Bureau filed an amendment effective November 5, 1991.
 - **Workers' Compensation Large Deductible Plan:** In 1991, North Carolina approved the first of several workers' compensation large deductible plan. These plans lower the premiums employers pay to provide coverage for their employees. The deductibles which employers must pay range from \$100,000 to \$5,000,000 per accident. The plans are available to employers with a minimum of \$100,000 in annual workers' compensation premiums.
 - **Workers' Compensation Rate Filings:** In 1991-1992, there were two rate filings submitted by the N.C. Rate Bureau. Commissioner Long determined that both increases were excessive and in each case ordered a lower rate level .

Workers' Compensation Rate Filings: 1985-1992

Filed	Proposed	Approved	Difference
8/30/85	12.9%	7.5%	5.4%
9/02/86	12.8%	5.8%	7.0%
9/01/87	16.8%	4.4%	12.4%
(1988)	no filing submitted		
9/01/89	16.8%	9.0%	7.8%
9/01/9	25.9%*	18.9%	7.0%
8/30/91	41.8%	15.8%	26.0%
9/01/92	58.2%	24.3%	33.9%

*29.3% increase after a 2.6 base rate decrease to offset assigned risk charges

- **Workers' Compensation Solvency Funds:** Effective January 1, 1992, this act phases out the two funds that currently guarantee workers' compensation claims payments for claims against failed insurance companies. In the future, such claims will be covered by the North Carolina Guaranty Association.

Life and Health Division

Due to major changes in the life and health insurance industry during the period under report, the division adjusted its Plan of Operation to better facilitate the availability and affordability of health insurance to all North Carolinians. The division has provided technical expertise to the General Assembly in updating current insurance statutes and bringing about legislation to foster group health insurance coverage for the small employer.

Federal standards to promote stability and consistency in product design of Medicare supplement coverage has resulted in ratification of statutes and adoption of rules to conform with the federal standards and implement Medicare supplement in the market place. As a result, North Carolina was certified by the Health Care Financing Administration to regulate Medicare supplement insurance on July 23, 1992.

Recognizing that preventive medicine is a vital strategy for lowering the cost of health care and health insurance, the division supported legislation that, effective January 1992, required state-regulated health insurers to provide benefits for mammograms and PAP smears.

The division was instrumental in fostering the availability of low-cost, reduced benefit health care coverage and coverage for those considered uninsurable due to preexisting conditions. The division coordinated its efforts with Blue Cross Blue Shield of North Carolina, the state's largest health insurer, to provide this coverage.

To further promote health insurance coverage, the Small Group Health Reform Act, ratified July 10, 1991, authorized the development and implementation of four plans of insurance coverage (an indemnity Basic and Standard Plan and an HMO Basic and Standard Plan). The division facilitated the development and implementation of the North Carolina Small Employer Health Reinsurance Pool, an integral part of the Small Group Act, to achieve stability in the amount of risk assumed by small employer carriers. As a result of this effort, the Basic and Standard plans were available for marketing on September 1, 1992.

Although much emphasis has been placed in the health insurance area, life insurance has not gone unchanged. Administrative rules have been adopted to regulate accelerated death benefits. Such coverage allows the terminally ill or an insured with other qualifying medical conditions to receive a portion of the life insurance policy proceeds prior to death. Rules have been adopted to regulate mortgage insurance consolidations or takeovers.

These rules provide increased protection for the consumer whose life or health insurance may be jeopardized when the servicing of their mortgage loan or mortgage insurance is changed from one lender to another. Legislation was enacted to enhance the death benefits payable under a variable annuity policy making it more beneficial to the consumer.

Growth and Management of the Division

The division's official name was changed from the "Life, Accident and Health Division" to the "Life and Health Division" effective June 1, 1991. A computer filing system was implemented to track requests for information/assistance from other divisions or state agencies. The division's filing system for policy form approvals has been streamlined to enhance efficiency. To help meet these challenges, the division has placed much emphasis on continuing education for its staff and management training for supervisors and managers. During 1991, the division received \$253,590 in policy form filing fees. Through September, 1992, the division received \$193,692 in fees.

The last two years have seen an escalation in the volume and complexity of health insurance form filings. Much of the complexity can be attributed to the increased use of managed care in the health insurance industry to help stabilize the spiraling cost of health care. It has become comlear that additional staffing will be necessary if the department is to keep pace with the ever increasing changes in the health insurance industry.

Life and Health Form Filings

Year	Reviewed	Approved
1991	12,501	9,952
1992	12,020	9,791

Market Conduct Division

The Market Conduct Division was created through a program conceived by the National Association of Insurance Commissioners that monitored insurance companies' behavior in the marketplace, especially as it affected consumers. The program was first piloted in North Carolina.

The division is staffed with a deputy commissioner, two management support persons, seventeen field examiners and two clerical-administrative support persons. The division monitors the activities of foreign and domestic insurance carriers in North Carolina. Resources of the division are allocated into four regular teams and a special unit. The special unit responds (on a priority basis) to problems or complaints related to company practices.

Examinations are conducted on a regular rotation so that all companies domiciled in North Carolina will be examined on a four-year cycle and dominant foreign companies on a five-year cycle. A company's size usually dictates the number of analysts required for an examination. Most companies require no fewer than four analysts to conduct a thorough, effective examination. Upon completion of the examination and after a report has been submitted to the Commissioner of Insurance, the company to take corrective action on any areas of concern in the report.

Examinations are divided into three categories: general, focus and market segment. These types of examinations require differing protocols to help ensure that companies are treated fairly and without prejudice or unfair discrimination.

Market Conduct Examinations

Year	General	Focus	Market Segment
1990	17	6	6
1991	24	12	4

Because state statute requires that companies pay the cost of examinations, market conduct is entirely receipt-supported.

Seniors' Health Insurance Information Program

The SHIIP program trains volunteers to counsel senior citizens in the areas of Medicare, Medicare supplement insurance, long-term care insurance and related coverages. Most volunteers are themselves senior citizens. Commissioner Jim Long established the program in 1986 out of concern that there were inadequate resources to address the health insurance problems of our senior citizens.

With over 70 companies specializing in selling Medicare supplement, long-term care and other medical insurance products to our rapidly growing aging population and with the ever-changing and often confusing Medicare system, older adults are often left vulnerable to unfair sales practices.

The SHIIP volunteers undergo an extensive 18-hour training course in order to serve as counselors. Conducted by the SHIIP staff, the training includes information on Medicare benefits, private insurance benefits and options, claims procedures and counseling/advocacy skills. Upon completion of the course, counselors are available for free one-on-one counseling to help persons understand their Medicare benefits, to help them understand private insurance policies and to help file health insurance claims.

SHIIP Achievements 1991-1992

- Expanded program to all 100 North Carolina counties.
- Developed a newsletter — *OnBoard* — that is distributed to SHIIP counselors and agencies concerned with aging in North Carolina.
- Received Medicare Beneficiary Services Certificate of Merit Award from the federal Health Care Financing Administration for 1990.
- Received national recognition from the Council of State Governments' 1990 Innovations series.
- Developed consumer comparison guide for Medicare supplement insurance.
- Received a federal grant in the amount of \$237,230 through the Health Information Counseling and Assistance Grant Program enacted by Congress. SHIIP plans to expand its curriculum and services through this grant.

In each county, SHIIP is coordinated through an existing human service agency such as a Council on Aging office, senior center, or cooperative extension office. These agencies provide important continuity, an available point of access, and are a model for interagency cooperation.

Since 1991, SHIIP has expanded its service to all 100 counties. In addition to expanding to eleven new counties that had been without volunteer counselors, SHIIP has also retrained counselors as regulations have modified and has continued to build on existing programs to establish rapport with communities and aging networks in order to promote increased use of SHIIP's services. There are currently 1,527 SHIIP volunteers actively counseling others in their communities.

Since January 1991, 1,004 persons have received one-on-one assistance from SHIIP counselors across the state. In addition to the individual counseling sessions conducted by volunteers, the SHIIP staff helps an average of twelve hundred persons each month through the statewide toll-free number. The staff has also conducted hundreds of presentations and is a resource for county-wide, statewide and regionwide conferences and workshops that reach thousands of consumers each year.

During 1991-92, SHIIP has developed educational materials and brochures that have been distributed across the state, assisted and advised other states that are starting insurance counseling programs, and worked closely with Medicare supplement providers to help assure older consumers a fair and equitable health insurance market.

Managed Care and Health Benefits Division

This division was established in 1992 to monitor and regulate the activities of Health Maintenance Organizations, Preferred Provider Organizations, Utilization Review Organizations, Managed Care Indemnity Health Insurance Companies, Multiple Employer Welfare Associations, Third Party Administrators, and Non-ERISA-Exempt, Self-Funded Employer Health Care Benefit Plans in North Carolina. The division's emphasis is on how the activities of these arrangements affect consumers in the North Carolina marketplace.

The division is responsible for designing and performing triennial operational and market practices examinations on these companies. Target examinations on several managed care companies have been completed to determine the degree in which these companies are in compliance.

Managed Care Examinations

Year	General	Target	Total
1991	3	0	3
1992	6	4	10

The division issues reports based upon the companies' compliance with the statutes, rules, precedents, and standards. Areas of non-compliance are identified, and subsequent compliance examinations are scheduled. These areas can include Management and Control, Territory and Plan of Operation, Provider Panel Development and Credentialing, Utilization Review, Quality Assurance, Third-Party Provider Contracting, Forms, Underwriting and Rate Practices, Marketing, Member Services, Claims Payment Practices, Management Information Systems, and Internal Auditing Functions. Special emphasis is given to unfair trade practice activities, accessibility issues, and the use of managed care techniques to deny enrollees access to needed health care. The report ultimately serves as the legal background for any further action that the department may take against the company.

The division also licenses Multiple Employer Welfare Associations, and Third Party Administrators, and in early 1993 will be responsible for the issuance of Certificates of Authority for Health Maintenance Organizations, and registering Preferred Provider Organizations and Utilization Review Organizations. The division has identified 24 companies that are operating in North Carolina without the benefit of an applicable certificate of authority or registration. The division will be responsible for the review, approval and issuance of certificates of authority for these non-admitted companies.

The Managed Care and Health Benefits Division's examination activities are receipt supported. The division's manager and one other employee are funded through state appropriations.

Public Services

The divisions in this group provide essential services to the insurance consumers of North Carolina and help assure the professional qualifications of agents and adjusters.

Agent Services licenses agents, adjusters and others. The Consumer Services Division responds to a broad array of questions and complaints from insurance consumers and individuals and organizations in the insurance industry.

Agent Services Division

The Agent Services Division (ASD) is designed to protect the general public of North Carolina by ensuring that the individuals representing the insurance industry have an adequate knowledge of the industry and possess the ethical and moral characteristics necessary to operate in a fiduciary capacity.

The division's main function is to regulate all licensed agents, brokers, limited representatives, appraisers and adjusters authorized to do business in North Carolina. This includes all activities concerning licensing, appointing, and educating agents, brokers, adjusters and limited representatives, both resident and nonresident, selling insurance or adjusting insurance claims.

The division is comprised of three separate and distinct sections. The Licensing Section establishes and administers minimum standards for the licensing of adjusters, brokers and limited representatives and the licensing and appointing of agents. The Accounting Section handles the monies collected on a daily basis by the division from fees set by statute. The section is responsible for adhering to the state's Daily Deposit Act. The Education Section establishes minimum standards of competence for licensure throughout the Prelicensing Education program and minimum education standards to maintain licensure through the Continuing Education program.

At present, the division oversees the operation of 108 pre-licensing insurance schools conducted through private vendors, universities, community colleges, and technical institutes. The last two years have seen an increase in the number of agents applying to be licensed

in North Carolina on a first-time basis. In 1991, there was a 13 percent increase over the number of company appointments issued in 1990.

Agent Licensing Activity

Examinations	Licenses Issued	Agent Appointments	Total
1991	17,567	18,679	84,306*
1992**	9,638	13,499	67,113

* Includes existing agents complying with requirements for Medicare Supplement/Long-Term Care licenses.

** Totals as of October 1, 1992

In addition to licenses and appointments issued, Agent Services renewed approximately 240,000 company appointments in 1991 and 277,321 in 1992.

Agents are required to show proof of licensure to insurance companies for whom they want to work and to other states where they move or wish to conduct business as a non-resident. Agent Services Division issued 10,310 Certification/Clearance Letters in 1991 and 9,446 as of October 1, 1992.

In 1989, the General Assembly mandated continuing agent education for insurance professionals. In 1990, rules for the program were completed and approved by the North Carolina Rules Review Committee. Agents started taking courses during 1991 so as to be eligible to renew their licenses in 1992. More than 23,000 agent licenses were not renewed for failure to meet the 1991 continuing education requirement.

All agents licensed to sell life, and health or property and casualty lines must take at least 12 hours of continuing education for each licensed group of coverage. At the present there are 1,808 approved continuing education courses being offered by 282 providers.

The 1990 General Assembly passed legislation that requires an additional license for those selling Medicare supplements and long-term care policies. In 1991, over 6,783 Medicare Supplement/Long-Term Care examinations were given, and over 9,000 licenses issued.

On May 18, 1992, the department's electronic testing debuted in Cary. This innovative system allows applicants for an agent's license to take an examination by computer and receive immediate pass/fail notification. If the applicant meets all requirements for licensure, the license is printed and issued on the spot. The obvious advantage of this program is the issuance of a license immediately upon successful completion of the examination.

In December of 1991, through the suggestion of the State Telecommunications System, Agent Services went to single line Essex phone system. This system allowed the division to better accommodate the massive number of calls received daily. Prior to the implementation of this phone system, only 25 percent of the calls being placed to Agent Services were able to get through. The use of voice mail has enabled the staff to handle the telephone traffic more efficiently.

On February 15, 1992, an automated Voice Response Unit (VRU) was put on line to answer routine agent questions. Agents can now call (919) 733-0817 between the hours of 7:30 a.m. and 11:30 p.m., Monday through Saturday and receive information regarding continuing education requirements, their personal education record and schedules of CE course offerings. Phone calls to the division dropped sharply with the implementation of the VRU.

Agent Services plays a major role in the regulation and investigation of agents' activities. The division continuously receives information from consumers, insurance companies, insurance agencies, and other sources concerning possible illegal activity.

Division staff works closely with the Consumer Services Division, the Investigations Division, and the Attorney General in looking into these allegations and in determining appropriate action when agents are found in violation of insurance laws.

Plans for the future include the expansion of computer testing and the development of a new computer program for the agent licensing database.

Currently, over 30 percent of all examinations for licensure are taken through the computer testing facility in Cary. Expansion plans include the establishment of one additional computer facility in the western part of the State, along with limited testing in both the Eastern and Western Regional offices in New Bern and Asheville, respectively.

The existing computer program was purchased from the State of Illinois in 1984. This program was written in a format that is now obsolete. There is only one programmer in the State Information Processing System that has knowledge of this program. A new system will incorporate more advanced information with the continuing education record. It will also allow more efficient use of personnel and time.

Consumer Services Division

The technical and complex nature of insurance generates a multitude of questions from the consuming public and from many segments of the insurance industry itself. Questions touching upon all types of insurance products are handled by our Consumer Services Division. Each year the division (a staff of 34 consumer service specialists and support personnel) provides valuable assistance to a broad array of our citizens.

In each year of the 1991-92 biennium, division staff processed approximately 35,000 - 40,000 consumer complaints. A computerized data format allows for continuous updates and changes on each complaint file.

Such computerized complaint handling and the accumulation of related information offers important indications of how well departmental regulatory measures are affecting insurance market practices.

During the 1991-92 biennium, the consumer services staff was involved and active in a number of areas:

- The staff spoke to numerous community groups and educational gatherings on a variety of insurance topics including automobile, health, workers' compensation, and specialty coverages.

- The division helped to identify financially troubled insurance agencies and assisted consumers in the resolution of resulting problems.
- The division, through its Market Assistance Plan, continued a remarkable record of helping prospective commercial policyholders locate and procure hard-to-find coverages that would reduce their risks and allow them to stay in business.
- The division provided direction and information to the department's Market Conduct Division relating to complaint experience regarding insurance companies' conduct in the marketplace.
- Staff provided front-line participation at disaster assistance centers in the aftermath of natural calamities such as hurricanes, tornadoes and flooding.

During 1992, the Consumer Services Division underwent several changes in a continuing effort to provide the best possible service to the citizens of North Carolina.

- Two additional toll-free lines were installed to respond to inquiries concerning the recently enacted Small Group Health Insurance Act.
- Single Essex phone lines with voice mail boxes were installed for all insurance specialists to enable the consumer to directly call the Specialist handling his or her complaint.
- The Communications Specialists now handle 100 percent of the incoming calls to allow the Insurance Specialists more time to investigate and analyze actual complaints.

The Consumer Services Division serves as a significant front-line service organization. Division staff continues to improve the quality of their service to a consumers through further training and educational development.

Regulatory Services

The divisions in this group provide enforcement services for a broad range of entities and manage the department's litigation and advisory resources through the office of the General Counsel.

The Special Services Division regulates and licenses a group of industries providing special services to the state's citizens (such as bailbonding), while the Investigations Division is charged with enforcing the insurance laws of North Carolina.

The Legal Division staff used to perform a myriad of duties — interpreting statutes that affect the department and the various segments of the public it serves, formulating rules and regulations that relate to the work of the department, and providing legal counsel in the variety of functions performed by department staff.

In July of 1991, the General Assembly transferred most of the personnel of the Insurance Department's Legal Division to the Department of Justice. Legal counsel is now provided by the Utilities and Insurance Section of the Attorney General's office; the Insurance Department's General Counsel is the liaison to the Attorney General's office. As a result, in only six months of the biennium were services rendered by what used to be the Legal Division, which no longer exists.

Legal Services

In January of 1991, what then constituted the Legal Division of the Department of Insurance began a statistically-based study of the services it was rendering to the department. The purpose was to measure the internal legal services, or "products," used by the department each day for one calendar year, and to detect any seasonal fluctuations affecting the frequency with which certain services were used.

Unlike most analyses that focus upon the billable hours of attorneys, the Legal Division's study used products as the unit of measurement. The reason for the selection of products rather than hours is that usage of products reveals the actual needs of the client agency and what resources are needed to meet them.

Work "products" were categorized in the following manner: (1) phone calls, (2) computer messages, (3) meetings, conferences, and informal discussions, (4) hearings, (5) informal documents (letters, memoranda, bulletins, directives, explanations, etc.), (6) formal documents (notices, orders, bills, interrogatories, complaints, motions, answers, rules, etc.), (7) editing, and (8) service of process. These products were selected by the attorneys themselves as most representative of the services actually sought and used by the Insurance Department.

Certain patterns emerged relating to case volume and type of service rendered, depending upon the subject matter. Life, accident, and health issues were characterized by individualized forms and rates and little standardization. Thus, informal "networking" was relied upon heavily, resulting in high volume usage of legal services. Individual attorneys working with life and health issues consistently showed the highest volume and used the greatest percentage of telephone and computer resources. Similar patterns of high volume networking and intensive consumption of resources occurred in other divisions of the Insurance Department involved in the regulation of life and health, as confirmed verbally with other division heads.

Occupational licensing and related boards (OL) also required extensive networking, and proceedings were formal--although language duplication in notices and orders permitted more rapid turnover than in other types of formal proceedings. Thus, OL demonstrated a mixture of volume and formality. Property and casualty regulation and related boards (P&C), on the other hand, relied heavily on standardization and formalized types of legal services. Volume per attorney tended to be lowest, while use of traditional formal types of legal service was highest. Formal hearings in P & C were frequently protracted.

These patterns remained intact for most of 1991, although volume was reduced after the transfer of attorneys. The data were disrupted from July-September due to the General Assembly's decision to transfer the seven attorneys participating in the study to the Department of Justice, resulting in a change of duties and routines. Volume was also down at year's end. Because some the attorneys transferred were later assigned to other areas not under the jurisdiction of the Insurance Department, data for 1992 were not sought and were not collected, since direct comparisons were made impossible.

The following legal services were used by the Insurance Department during 1991 as measured by the study described above:

Legal Services

	L&H	OL	P&C	Totals
Phone Calls	4,359	1,801	3,135	9,295
Computer Messages	10,815	2,648	11,789	25,252
Meetings, Conferences	1,290	522	1,545	3,357
Hearings	15	39	28	82
Formal Documents	70	189	74	333
Informal Documents	1,012	309	496	1,817
Editing	737	346	335	1,418
Service of Process				1,274

The study showed a consistent pattern that different types of insurance required different types of legal services. The amount of departmental resources consumed also varied by subject matter. Seasonal fluctuations did not effect activity levels to the degree expected.

Ratemaking Litigation

During the 1991-92 biennium the Insurance Department attorneys on staff, especially the General Counsel, continued to be closely involved in several pieces of significant litigation involving ratemaking for essential lines of insurance under the jurisdiction of the North Carolina Rate Bureau. These cases were handled primarily by outside counsel and outside witnesses under the direction of the department because such cases are exceptional in complexity and duration and would tie up normal departmental resources to the point that other regulatory responsibilities could not be fulfilled. The General Assembly authorized such an approach with its enactment of N.C.G.S. 58-2-215. Set forth below is a review of results achieved by case under the provisions of this statute together with a cost-effectiveness analysis of taxpayer funds expended.

Automobile Insurance Ratemaking

The 1987 auto rate filing is on remand from the Court of Appeals to the Commissioner. their original rate request, saving consumers over \$27 million. Should the Bureau lose the the case an estimated additional \$57 million in contested premiums plus interest would be payable to consumers.

The 1988 auto rate case was remanded to the Commissioner for further findings of fact and conclusions of law. The Commissioner issued an order on remand that was appealed again to the Court of Appeals. The case was argued to the Court on December 2, 1992. This action initially saved consumers \$24 million in rate level. An estimated \$83 million still remains at issue before the Court in contested premiums plus interest payable to consumers should the insurance industry lose.

The 1989 auto rate case was partially resolved by the Court of Appeals during the biennium and the department won on three out of five issues, valued to North Carolina consumers at approximately \$70 million. The hearing process before the Commissioner had already saved \$9.5 million prior to the appeal. The department was granted discretionary review before the Supreme Court concerning the remaining issues, representing another \$70 million plus interest payable to consumers. The opinion of the Supreme Court has not yet been rendered at this writing. Because the case has not been fully adjudicated, a refund cannot yet be ordered due to statutory limitations. The amount of the refund already adjudicated makes it the largest refund among the states in recent history to insurance consumers that was not the result of a legislated rate roll-back. The ruling on this case by the Supreme Court is expected to substantially resolve other rate cases still pending at this time.

The 1990 auto rate case was settled in early 1991 following hearing before the Commissioner for a savings to the public of \$77.4 million.

The 1991 auto rate case was fully tried and an appeal by the Rate Bureau was commenced during the biennium. A savings of \$80.7 million was achieved as the direct result of the

hearing process. An estimated \$124 million is in escrow pending appeal plus interest payable to consumers should the industry lose.

The 1992 auto rate case was settled, resulting in a rate reduction for all coverages combined of \$120 million.

Workers' Compensation Insurance Ratemaking

- The 1987 workers' compensation case was remanded for further findings and the Commissioner issued an order during the biennium. The case was settled after the second order was taken up on appeal, together with the 1991 workers' compensation case, for a combined savings to insureds of \$152.1 million.
- The 1990 workers' compensation case was settled for a savings to insureds of \$55.3 million.
- The 1992 workers' compensation rate case will be concluded before the end of the biennium. The filing proposes to increase rates \$360 million. On December 30, Commissioner Long ordered a 24.3% increase, of \$280 million less than the rate sought by the industry.

The primary issue in the rate cases continues to be whether the General Assembly has intended the statewide rate to be set at the statistical maximum rather than the average to finance company decisions to pay dividends or take deviations if they choose to.

Investigations Division

With statutory authority established in 1945, this division conducts investigations for the department under the direction of the Commissioner. Each of the division's investigators is a law enforcement officer sworn to uphold and enforce the insurance laws of North Carolina. Requests for investigations come from within the department, from consumers, local, state and federal law enforcement agencies, and from insurance companies.

Investigations Activity: 1992

Investigations Initiated	316
Number of Arrests	33
Consumer Restitution Ordered	\$1,046,531

During the biennium, a thorough review of the organizational and management structure of the division was conducted. This study will result in a reorganization of the division in the next biennium. In addition, public policy in insurance regulation also shifted during this time period to emphasize the investigation of insurance fraud both within this state and across state lines. Accordingly, emphasis has been placed on detection and prosecution of insurance fraud and the fraudulent activity of insurance agents and brokers. The division has also increased emphasis on cooperation with other law enforcement agencies and state, local, federal and industry-supported organizations such as the Insurance Crime Prevention Institute.

Concentrated efforts have been initiated to work closely with and to provide maximum support to North Carolina's network of district attorneys and other court officials.

Restitution Report

County	1991	1992
Alamance	\$16,189.18	\$4,300.00
Beaufort	\$1,067.00	\$3,113.14
Bertie		\$3,088.63
Bladen		\$89,662.70
Brunswick		\$640.00
Buncombe		\$468,967.66
Cabarrus	\$12,101.36	\$2,323.04
Caldwell		\$3,761.16
Catawba	733.44	\$10,427.89
Cherokee	\$4,295.50	
Cleveland		\$2,752.25
Columbus		\$8,911.00
Craven	\$3,875.00	
Davidson	\$17,985.13	\$2,440.70
Durham	\$2,400.00	\$3,157.24
Edgecombe	\$1,082.00	
Forsyth	\$46,859.58	
Gaston	\$42,418.16	
Granville	\$5,952.43	\$1,320.78
Greene	\$798.47	
Guilford	\$105,962.20	\$129,917.10
Harnett	\$6,812.00	\$3,730.00
Hyde	\$3,800.00	
Iredell	\$1,542.52	\$650.00
Johnston	\$1,595.00	
Lenoir	\$6,200.00	\$41,541.80
Mecklenburg	\$132,987.48	\$28,424.98
Montgomery		\$18,129.28
Moore	\$78,944.54	\$568.82
Nash	\$15,637.27	\$9,689.29
New Hanover	\$1,000.00	
Pasquotank		\$12,797.65
Pitt	\$3,700.00	\$24,758.00
Randolph	\$9,196.13	\$25,800.00
Robeson	4,000.00	
Rockingham	\$29,315.46	
Rowan	\$2,297.70	
Rutherford		\$6,619.78
Samson	\$7,518.00	
Scotland	\$3,625.00	
Surry		\$21,900.00
Vance	\$23,000.00	\$15,932.92
Wake	\$27,219.23	\$12,000.00
Wayne		\$15,834.57
Wilkes	\$3,000.00	\$72,419.83
Yadkin	\$274.45	\$559.31
Total (Year End)	\$623,384.00	\$1,046,531.52

Special Services Division

This division is responsible for licensing and regulating insurance premium finance companies, professional bail bondsmen and runners, surety bondsmen, collection agencies, and motor clubs. The division's purpose is to protect the people of North Carolina in their dealings with these industries.

During the biennium, the division took the strongest administrative action ever against a North Carolina collection agency for unethical collection practices and unlicensed activity. The matter was resolved by a consent and settlement agreement and a civil fine in excess of \$50,000. This is the highest fine ever levied against a collection agency in North Carolina.

During this biennium, the division completed 1,149 field assignments related to background investigations, routine audits/examinations, complaints, and criminal investigations. This activity brought about the processing of 51 criminal warrants which involved both felony and misdemeanor violations. There are 15 felony warrants pending as of the date of this report. Twenty-eight convictions were handed down in the local courts for criminal violations.

Management and several staff members participated in several important conferences, seminars, and workshops during this period with other state and county agencies, trade groups, and associations. These include the following: Association of N. C. Magistrates, Association of Clerks of Superior Court, Association of Assistant and Deputy Clerks of Court, N.C. Sheriff's Association, Eastern Law Enforcement Conference, Association of N.C., Premium Services Companies, N. C. Collectors Association, The Association of Credit Bureaus of the Carolinas and Virginia, The N.C. Criminal Exchange, and The N. C. Bail Agents Association.

Twelve-hour Legal Update Workshops were conducted for personnel in the areas of collection agency, insurance premium financing, and bail bonding. The division offered and conducted bail bond seminars for the industry in four major cities in the state.

During the biennium a thorough review of the organizational and management structure of the division was conducted which could result in a re-organization of the division in the next biennium.

Refunds to North Carolina Consumers

	1991	1992
Bail Bondsmen	\$6,065	\$1,295
Premium Finance Companies	\$10,631	0
Collection Agencies	\$246,426	\$775
Totals	\$263,122	\$2,070

(through 9/92)

In 1991-92, division involvement in satisfying bail bond judgements from security deposits held by the department resulted in payments to local school boards in the following amounts.

Bail Bond Judgements

County	1991	1992
Alamance		\$2,122.27
Beaufort	\$9,033.00	\$3,193.62
Bladen	\$13,947.00	\$9,400.00
Brunswick	\$13,863.60	6,741.25
Caldwell	\$394.00	
Columbus	\$1,158.00	
Craven	\$429.00	\$3,249.38
Cumberland	\$524.40	
Davidson		\$500.00
Duplin		\$1,320
Durham	\$70,392.31	\$15,853.89
Edgecombe	\$3,155.25	
Forsyth	\$21,410.87	\$47,505.08
Franklin	\$15.31	
Gaston		\$9,576.00
Granville		\$5,384.01
Greene	\$5,012.61	
Guilford	\$1,014.84	\$3,979.58
Harnett		\$275.00
Johnston	\$28,731.00	\$7,618.01
Lee	\$1,580.00	\$500.00
Lenoir	\$18,354.00	\$10,332.17
Mecklenburg	\$17,704.67	\$24,103.44
Nash	\$1,181.00	\$28.37
New Hanover	\$3,576.00	
Onslow	\$200.00	
Orange	\$910.00	\$1,801.94
Pasquotank		\$940.00
Pender	\$1,000.00	\$4,220.00
Pitt	\$18,796.71	
Robeson	\$39,270.15	\$15,902.25
Rockingham	\$232.00	
Rutherford	\$1,508.00	\$554.72
Sampson	\$3,562.89	
Stanley		\$3,145.00
Vance	\$26.83	\$1,388.19
Wake	\$66,773.12	\$95,842.96
Warren		\$5,157.22
Wayne	\$37,187.96	\$1,498.71
Wilson	\$32.00	\$1,847.29
Total	\$380,977.06	\$283,980.35*

*(through 9/92)

New Legislation

In this biennium, the Special Services Division was instrumental in the passage of several legislative packages which directly related to the professional bonding industry, the insurance premium finance industry, and the collection agency industry. The substance and technical changes are so numerous, it is not practical to list them all in this report. However, the following are representatives of some of the legislation ratified:

Professional Bail Bondsmen / Bail Bond Runner / Surety Bondsmen

- License and exam fees are non-refundable and were substantially increased.
- Additional grounds to deny, suspend, or revoke a license were amended.
- Certain persons are now prohibited from becoming surety or runners.
- Portion of Bond Premium Payments Deferred.
- Surety Bondsmen now qualify for the limited insurance representative license.
- Penalties for violation were increased.
- Falsification of required monthly report is now a class J felony.
- Surety Bondsmen are now subject to the same audits as professional bondsmen.

Insurance Premium Finance

- In lieu of posting an insurance premium finance surety bond, evidence of financial responsibility can be in the form of cash, certificate of deposit, or securities.
- Additional legislation was passed to clear up the rebate issue between premium finance companies and insurance agents, and companies.

Collection Agencies

- As with the bond which applied to insurance premium finance companies, collection agencies may also post other forms of security.
- Civil liability penalty increased.
- Separate remittance trust account must now be maintained for N. C. creditors.

All licensees, trade groups and associations were provided with copies of ratified bills which affected their respective industries.

Safety Services

Comprised of the Engineering, Manufactured Housing, State Property Fire Insurance Fund, and the Fire and Rescue Services Divisions, the Safety Services Group administers and enforces life safety standards throughout the state, promotes risk management practices throughout all governmental entities, and maintains a sound insurance program for state agencies.

Engineering Division

General Statutes give the Commissioner of Insurance the responsibility of general supervision over the administration and enforcement of all sections of the North Carolina State Building Codes.

The codes contain regulations relating to plumbing, electrical, heating, air conditioning and fire protection systems and the construction of buildings in general. The division meets these responsibilities by providing interpretations of code requirements and assisting local government authorities with the application of the codes.

The division also inspects electrical systems in state-owned buildings, reviews plans and specifications of new buildings for code compliance, assists with code-related educational programs, and administers state examinations required for certification of city, county and state code enforcement officials.

Division staff also administers the state's accreditation program of independent inspection agencies who safety test and label electrical and mechanical equipment or monitor the performance of manufacturers who sell factory-fabricated modular buildings.

In addition to serving as an informal state code appeals agency, the division is required by statute to serve as staff to the North Carolina State Building Code Council and North Carolina Code Officials Qualification Board.

Engineering Division Activities: 1991-92

Plan Reviewed	5,000
Field Inspections	2,900
Office Conferences	3,100
Telephone Information Requests	96,000
Schools, Seminars and Conference Participation	160
Building Code Council Meetings (includes committee meetings)	90
Qualification Board Meetings/Hearings (includes committee meetings)	48
Qualification Board Complaint Investigations	62
Inspector Certification Schools Coordinated	248
Inspector Certification Exams Administered	2,000
Inspector Certification Applications Reviewed	7,500
Inspector Certificates Renewed and Issued	10,000
Code Publication Sales	\$967,000
Electrical Certificates of Compliance Issued	450

Code Administration and Enforcement

The division provides interpretations of the intent of the state building code to city and county inspection officials, architects, engineers, contractors, material suppliers, manufacturers, other state agencies, attorneys and the general public.

The division also has the responsibility to review plans and specifications for large buildings. Before a permit can be secured for these buildings, a letter of compliance must be issued by this division to the inspection department having jurisdiction.

General statutes provide for the treatment of handicapped and disabled persons equal to that afforded other persons. The division has an Accessibility Section which provides information to handicap organizations, design and construction professionals and building owners in the application of these state laws and the building code requirements relating to accessibility. This assistance helps provide our disabled citizens with the full and free use of all buildings in the state.

This division inspects the electrical systems of all state-owned buildings during construction. When code violations are detected, the contractor or designer is advised of corrections required. Contractors cannot receive payment for their work until this division issues a certificate stating that the installation complies with safety regulations. In addition to these required inspections, this division assists local officials with the inspection of other construction aspects of buildings when requested.

Because some buildings require special construction, technical assistance is necessary from us to ensure that the building is safe. Inspection assistance is also provided for structures when deterioration, fire or storms create conditions which appear to be hazardous to life.

Our staff also serves as the State Damage Assessment Team and assists the State Office of Emergency Management during disasters.

State Building Code Council Support

The building code council consists of 13 members appointed by the governor. The council is empowered to adopt and amend the state building code, hear appeals on the interpretation of the code and approve local building regulations which are different from the state code. The council holds regularly scheduled public hearings on the second Tuesday in March, June, September, and December. Additional meetings are held by council code committees.

State law permits the building code council to provide, in circumstances deemed appropriate, programs to certify independent testing laboratories as state-accredited third-party agencies to evaluate, inspect and label factory-built manufactured buildings and electrical and mechanical building components. This program is administered by staff.

Code Officials Qualification Board Support

This board has the statutory responsibility to develop standards for the training and certification of code enforcement officials. The division is required to provide clerical and staff services. The board is also responsible for developing training schools and state examinations for inspector certification. Some division staff members serve as instructors. All state certification exams are administered by staff.

Persons certified by the board are issued a certificate for each level and area of inspection for which they have met qualification requirements. The division also investigates written substantiated complaints against inspectors to the board, which may then schedule a hearing.

The division is divided into eight sections: code consultant, electrical, mechanical, modular, inspector certification, accessibility, code council, and fire prevention.

On July 1, 1991, North Carolina's first State Fire Prevention Code became effective. This required the hiring of an individual with fire prevention experience. This staff member has provided code interpretations to the more than 800 city and county fire marshals throughout the State. This staff member has also assisted with the development of three levels of fire prevention courses.

Manufactured Housing Division

This division acts both as a state administrative agency under the federal Manufactured Housing Constructions and Safety Standards Act and as staff to the North Carolina Manufactured Housing Board.

The role of a state administrative agency is to monitor manufacturers' handling of consumer complaints to assure compliance with federal standards. Staff support of the manufactured housing board includes licensing all manufacturers, dealers, set-up contractors and salespersons that do business in this state to assure compliance with warranty requirements set forth in the general statutes.

This division also has the responsibility of developing set-up and anchoring standards for manufactured homes and to assist local inspection departments in the inspection of homes for proper set-up and anchoring requirements.

In 1991, this office conducted 9 workshops across the state in an effort to educate and assist local inspectors in the proper inspection of the set-up and anchoring of manufactured homes.

In 1992, conferences were scheduled with each inspection department across the state to assure proper procedures were being followed in the set-up of homes.

This division is entirely receipt-supported. Part of these receipts are fees received from HUD for each manufactured home that is placed in our state for retail sale. The remaining receipts come from license fees charged to manufacturers, dealers and set-up contractors.

In July, 1992 the division began requiring salespersons to pass a formal test before issuing a salesman's license. These tests are offered in various locations across the state to facilitate the program.

The division is responsible for filing claims against surety bonds in the event dealers or manufacturers go out of business or cannot otherwise fulfill their warranty obligations. In 1991, the division collected approximately \$96,950 and in 1992 about \$134,552 on behalf of North Carolina consumers.

The division also supplements its receipts by participating in a contract with the National Conference of States on Building Codes Standards. The division provided over 1000 staff hours in 1991 to assist in interstate monitoring inspections. This amount was reduced to approximately 500 in 1992.

Manufactured Housing Division Activity

	1991	1992
Complaint Received	601	564
Inspections Completed	270	204
Manufacturers Licensed	75	66
Dealers Licensed	535	479
Set-up Contractors Licensed	330	324
Salespersons Licensed	1428	1429
Salespersons Temp. Licensed	N/A	152
Hearings Scheduled	64	55

State Property Fire Insurance Fund

This division is responsible for the operation and maintenance of the State Property Fire Insurance Fund, the self-insurance plan for the state property. With jurisdiction over 13,000 state-owned buildings having a combined value of \$7.6 billion, the division investigates and adjusts claims and pays losses with the approval of the Council of State.

The fund provides basic fire and lightning insurance coverage for state-owned property and offers insurance for wind, hail, riot, explosion, smoke, theft, sprinkler leakage, vandalism, business interruption, etc. The division procures from private insurance carriers other needed insurance such as auto liability and physical damage, inland marine, ocean marine, aircraft liability and physical damage, boiler and machinery, workers' compensation, accident and health, general liability, crime, professional liability, and bonds.

Another vital function of the division involves plan approval for all new state building construction and renovation. Plans are reviewed to achieve construction that is desirable for insurance purposes and safe for building occupants. Emphasis is placed on proper exits, building fire resistance, and fire protection systems.

The division also develops specifications for fire detection and alarm systems, sprinkler systems, and other life safety equipment that are used by designers of state buildings.

The division reviews and approves all building plans, insures the finished buildings, and inspects them annually (statutory requirements). Between plan approval and completion of construction, there is at present no statutory inspection for Code compliance. One of our objectives for the coming biennium is to develop statutory requirements for such inspections.

Loss control through annual inspection of all state-owned buildings is accomplished by inspectors who are certified in the interpretation of codes and standards for fire protection and construction. Reports are made to agency management for correction of deficiencies. The staff also provides advice on corrective measures.

Consultation with agencies on updating all types of fire protection systems in existing buildings is a continuous process. Emphasis is placed on improving the protection of major computer installations, libraries, high risk buildings, places of assembly, and other areas having a concentration of people or high property value.

Because of rapid increase in the use of computers and other electronic equipment, loss due to lightning damage has been the number one category for frequency of occurrence. Efforts to reduce lightning losses include communicating information to agencies on proper protective measures, and inspecting sites having recurring claims.

The risk management section serves as the resource for state agencies in resolving risk issues. It administers the state's automobile insurance program covering 23,000 vehicles. It also helps local governments review their insurance needs and implement risk management programs. Ninety-nine North Carolina communities and counties have received complete insurance surveys and risk management services since 1985.

The section also provides staff, administration, and research services to the Public Officers and Employees Liability Insurance Commission (POELIC). The commission is

charged with making available a plan of professional liability coverages for all law enforcement officers, public officials, and employees of any political subdivision of the state.

The plan provides \$900,000 in liability coverage on 98,000 State employees for losses resulting in bodily injury or property damage, and for errors and omissions in the performance of their jobs. About 500 such claims are filed against state employees each year.

Fire and Rescue Division

Governmental Services Section

This section serves as the certifying agency for qualifying fire departments and their members for several benefit programs.

Since 1985, fire departments must be inspected by the Fire and Rescue Division section in order to qualify for the In-Line-of-Duty Death Benefit, the Firemen's Pension Fund and the Firemen's Relief Fund.

The Commissioner of Insurance sets the standards and qualifications for the initial certification of all fire departments. North Carolina has experienced a growth rate of approximately 30-40 fire departments for each of the last ten years.

In October 1987, this section was given the duty of inspecting more than one thousand rural fire departments in North Carolina. The first-year phase of this project has been completed. The results of these inspections have been reported to the North Carolina Fire Rate Bureau and are to be used by them in filing future rates for fire insurance costs. The fire departments are re-inspected on a two to three-year cycle in order to maintain a current picture of the quality of fire protection in North Carolina and to assist the departments in making improvements.

The third phase of the inspections program has begun with approximately 60 percent of the fire departments meeting the state requirements. The information collected during the inspections is also used in the qualifying process for the Rural Fire Department and Rescue Grant Programs. The inspections program has been instrumental in helping to upgrade fire protection in the state.

This section continues to assist local governments with fire district mapping, setting up tax fire districts and information on benefit programs. It also serves as an information resource on rural fire protection for local government officials.

This section has been actively involved in establishing the North Carolina Fire Prevention Code. We have participated in the Fire Code Advisory Council, the Fire Code Committee and the Fire Code Curriculum Committee in developing the training curriculum for the certification of fire inspectors. This section has also begun developing a training program in rural fire administration for county fire marshals.

Field Services

The field services staff continue to provide instructional programs to the fire and rescue services of the state. This process involves interaction with local, state, federal and private agencies. The constant review and update of programs impacts all areas of fire, rescue and fire education and provides the most up-to-date information and techniques.

To increase the quality of training being delivered by our fire and rescue instructors, this section has developed qualification programs in areas of instruction such as live-burn training, driver/operator training and hazardous materials instructor training.

Through conducting the North Carolina Rescue College, the High Angle Rescue School and the N.C. Fire Education Conference and by serving as instructors for many local, state, and national agencies, the field services staff provided vital information to fire and rescue professionals across the state.

This section continues to investigate timely topics to better inform North Carolina's fire and rescue service. Work in several areas has produced national recognition of this division.

Fire and Burn Prevention Education

Fire and burn prevention education activities have been expanded greatly during recent years. Three primary areas of involvement include implementation and evaluation of the "Learn Not to Burn" program, public fire educator certification course development, and the "Hidden Heroes" campaign.

Public fire safety education is a major area of activity and the "Learn Not to Burn" program has been implemented in most of our state's fourth-grade classrooms. To measure the effectiveness of the program, a longitudinal study of individual student knowledge retention has been initiated. This study will take several years and will provide important information about fire safety education.

The "Learn Not to Burn" curriculum is conducted jointly by the Fire and Rescue Services Division, the N.C. Department of Public Instruction, and the N.C. Jaycee Burn Center. Over the last three years, over 80 percent of our fourth-grade students have been exposed to fire and burn prevention education.

The Public Fire Educator Certification Program was adopted in July 1989 and training in this area has begun. It is our hope that this program will assist the fire service in providing quality fire prevention education and quality training for fire and burn education professionals.

The "Hidden Heroes" campaign informs the fire service in North Carolina and the general public about the need for properly working smoke detectors in homes, the benefits of residential sprinkler systems, and the need to teach fire safety.

Cooperation among local, state, and federal agencies has been essential in ensuring the success and effectiveness of fire and burn prevention programs in North Carolina. These agencies include the fire service in North Carolina, the N.C. Jaycee Burn Center, the N.C. Department of Public Instruction, the Federal Emergency Management Agency, the N.C.

Department of Environment, Health and Natural Resources, the N.C. Center for Health Statistics, the N.C. Fire and Rescue Commission and the National Fire Academy.

Funds

Working closely with the N.C. Fireman's Association, division staff continue to improve the method of collecting and disbursing the Firemen's Relief Fund. Significant, ongoing efforts have been made to reduce the number of fire departments disqualified due to ineligibility. The Rescue Relief Fund was created in 1987 to assist rescue personnel in need.

The Volunteer Fire Department Fund and Volunteer Rescue/EMS Fund were created in 1987 to financially aid local fire and rescue departments with equipment purchases and capital expenditures.

North Carolina Fire and Rescue Commission

In 1989, the title of North Carolina Fire Commission was changed to the North Carolina Fire and Rescue Commission. The change reflected a new charge to assist local rescue departments in establishing standards of operation.

The fire and rescue services of our nation and state are continuing to change at a very rapid rate due to improvements in technology, implementation of stricter standards, and the growing concern over liability issues. The Fire and Rescue Commission strives to assist our state's fire and rescue services in keeping abreast of these changes.

The commission has laid the groundwork for the future of our fire service by establishing voluntary standards at various professional levels. Many programs currently available to the fire service will be available to the rescue community in the future. One program currently under development is the Rescue Technician Certification.

The commission is also addressing its rescue service responsibilities through an expanded incident reporting system. The current program addresses only fire incidents. The data obtained from these programs will be used to establish future directions in training, public education, and accident prevention.

Firefighter Certification

In July 1987, the Fire Commission's Firefighter Certification Standard was adopted and implemented. Since then, the majority of the fire service is involved in the program with many having been certified at one of the three levels offered.

Many counties, cities, and fire departments have adopted this certification program as their training program. In addition, many fire departments have become a delivery agency for the certification program.

Instructor Certification

The Fire and Rescue Commission adopted a certification program for fire instructors in 1988. This program will be modified in the future to be used by rescue instructors.

Fire Apparatus Driver/ Operator Certification

This program was put in place in 1988 for the purpose of establishing a statewide training standard for personnel who drive fire apparatus. It includes a section on the safe operation of emergency vehicles.

Hazardous Materials Responder Certification

This program was put in place in 1989 to assist fire departments and rescue squads in meeting the federally-mandated training requirements for activity involving hazardous materials.

Fire/Arson Investigator Certification

This program was designed to provide increased professional recognition to personnel who have responsibility for investigating fires. This designation also affords enhanced credibility when the professional is called upon to serve as an expert witness in court.

Rescue Technician Certification

This program was put in place to enhance the training of rescue personnel. Designed for those who do physical rescue, the standard covers search, extrication, rope rescue, etc.

Future Programs

With the commission's new rescue service responsibilities, the addition of future programs will become necessary to provide the same level and quality of training to rescue personnel as are now directed to the fire service. Programs such as rescue technician certification and rescue incident reporting are already enacted or on the drawing board. It is hoped that such programs will provide additional professional recognition, as well as enhance the safety of emergency service personnel in North Carolina.

North Carolina Building Code Council

N.C. General Statutes 143-138 authorizes the N.C. Building Code Council to prepare, adopt and amend the State Building Code. The council consists of 12 members appointed by the governor for six-year terms. Statutes requires that members have expertise in areas relating to construction safety. The council meets quarterly in March, June, September and December.

Members

Mr. Sam T. Snowdon Jr., Chair
Mr. John R. Andrew, Vice-Chair
Mr. Clifton N. Bishop
Mr. Barry W. Gardner
Mr. James W. Smith II
Mr. Edward L. Woods
Mr. J. Harmon Byrd
Mr. Louis R. Dickerson
Mr. Clayton S. Lineberger
Mr. James G. Andrews Jr.
Mr. Earl Driggers
Mr. Robert C. Pierce
Mr. Ellis P. Thomas

North Carolina Code Officials Qualifications Board

The board is organized under the provisions of Chapter 143, Article 9C of the North Carolina General Statutes. Following is the list of members and from whom their appointments were received.

Mr. Richard D. Ducker	Institute of Government
Mr. John J. Gaitten	Governor
Mr. Billy T. McDaniel	Lieutenant Governor
Mr. G. Alan Jones	Speaker of the House
Mr. Earl F. Fowler	Governor
Mr. E. Frank Davis Jr.	Speaker of the House
Mr. Mike Pittman	Department of Community Colleges
Mr. Joseph D. Wheliss	Governor
Mr. Lewis Gene Morton	Lieutenant Governor
Mr. Hubert Jefferson	Governor
Mr. Brewster Ward	Lieutenant Governor
Mr. James W. Brummitt Jr.	Speaker of the House
Mr. Dascheil Propes	Commissioner of Insurance
Vacant	Governor
Mr. Charles England	Speaker of the House
Mr.. Ronald R. Kimble	Governor
Paul P. McCain, PE	N.C. State University
Mr. John Franklin Goode	Governor
Mr. Arthur L. Kennedy, P.E.	Lieutenant Governor
Mr. Ronnie Bailey	N.C. A&T University

North Carolina Manufactured Housing Board

The Board is empowered to issue and revoke licenses, require bonds, resolve complaints and promulgate rules as necessary to carry out these goals. Following is a list of members and from whom they receive their appointment.

Insurance Commissioner Jim Long

Ms. L.C. Barbara Allen

Ms. Linda Willey

Mr. Jim Johnson

Mr. Don L. Woodward

Ms. Judy Ward

Mr. Larry Gilmore

Mr. Bill Glover

Mr. Durwood Batchelor

Chairman

Commissioner of Insurance

Commissioner of Insurance

Governor

Governor

Finance

Insurance

Set-up Contractor

Supplies

Public Officers and Employees Liability Insurance Commission (POELIC)

The Commission is given authority under North Carolina General Statutes 58-31-25 and 58-32-1 through 58-32-30 to make available a plan of professional liability insurance coverages for all law enforcement officers, public officials, and employees of any political subdivision of the State. POELIC is empowered to negotiate with insurance companies for the most favorable rates and coverages. The Commission also serves as liaison between the companies and those insured, to resolve any issues which may arise. The Commission consists of 11 members representing city, county, and state governments, sheriffs and police departments, and the insurance industry. It meets at least four times each year, on or about the 15th of January, April, July, and October. Following is a list of the members:

Mr. Joe R. Kluttz, Chairman

Representing Independent Insurance Agents of North Carolina

Sheriff James L. Sasser, Vice Chairman

Representing N.C. Sheriff's Association

Mr. Welton Barnes, Sr.

Representing the Speaker of the House

Mrs. JoAnne S. Carlyle

Representing N.C. Association of County Commissioners

Mr. Harvey R. Mathias

Representing N.C. League of Municipalities

Mr. Charles K. Royal, Jr.

Representing the Lt. Governor

Major Ricky Simpson

Representing N.C. Police Chiefs and N.C. Police Executives Associations

Mr. J. Dal Snipes

Representing Carolinas Association of Professional Insurance Agents

Ex-Officio Members:

Mr. Tim Minton

Representing the Secretary of Crime Control and Public Safety

Mr. Ralph B. Strickland, Jr.

Representing the Attorney General

Mr. J. Thomas Sutton, III

Representing the Commissioner of Insurance

N.C. Fire and Rescue Commission

The N.C. Fire and Rescue Commission is charged with developing certification standards for all levels of fire service and rescue personnel and coordinating the state's involvement with the Federal Emergency Management Agency and the U.S. Fire Administration.

The commission is also responsible for developing a master plan for fire prevention and control, increasing professional skills of fire protection and firefighting personnel, serving as a central clearinghouse of information relating to the state's fire service activities, and handling federal and state grants.

Member

Organization

Mr. Dave Cauble, Chair	Nash County Fire Marshal
Mr. Bobby Joyner, Vice-Chair	Pitt County Fire Marshal
Mr. Richard Trexler	Colfax Fire Chief, Guilford County
Mr. Rupert Little	Catawba County Fire Marshal
Mr. Howard L. Wilson	Howard L. Wilson and Associates
Mr. Cloyce Anders	Craven County
Mr. Ted Woodruff	City of Canton
Mr. H.T. Taylor	Robeson County
Mr. David L. Cope	Durham County
Mr. John Horne	Rutherford County
Mr. Bruce Hoyle	Rutherford County
Mr. Dean Wall	McDowell County
Mr. Joe Byrd	Wilkes County
Mr. Wayne Bailey	Transylvania County

Ex-Officio Members:

Mr. Jim Long	Commissioner of Insurance
Mr. John Brooks	Commissioner of Labor
Mr. Joseph Dean	Crime Control and Public Safety
Mr. Lacy Thornburg	Attorney General
Mr. Bill Cobey	Environment, Health and Natural Resources
Mr. Ed Renfrow	State Auditor
Mr. Bob Scott	Department of Community Colleges

Executive Director:

Tim Bradley	Department of Insurance
-------------	-------------------------

N.C. Medical Database Commission

The N.C. Medical Database Commission is mandated by G.S. 131E-211 to establish a statewide health care information database and to serve as a clearinghouse for that information.

Currently the Commission collects hospital inpatient discharge data from 150 acute care, psychiatric and rehabilitation hospitals in North Carolina. In 1993 it shall begin the collection of information from 150 ambulatory surgery facilities. With the exception of a state government representative-at-large appointed by the Governor, Commission members are appointed by the General Assembly.

Member

Organization

Dr. Lawrence M. Cutchin, Chair

Carolinas' Doctors Care

David McCombs, Vice Chair

Moses Cone Memorial Hospital

Sandra Greene, Dr. PH

Blue Cross & Blue Shield of North Carolina

Mr. Jimmy Lewis Moore

Hancock and Moore, Inc.

Ms. Gail Long, R.N.

Fayetteville Ambulatory Surgery Center

Mr. Thomas E. Ryan

Alamance Health Services

Richard Shachtman, Ph.D.

University of North Carolina - Chapel Hill

VACANT

Large Employer representative

VACANT

Commercial Insurance representative

Ex-Officio Members

Mr. Robert Fitzgerald

Represents Secretary of
Human Resources

Mr. Delton Atkinson

Represents Secretary of Environment
Health and Natural Resources

Mr. Allen Feezor

Represents Commissioner of Insurance

Executive Director

Mr. James A. Hazelrigs

North Carolina Department of Insurance
430 North Salisbury Street
Raleigh, N.C., 27611

(919) 733-7343